

## RECORD OF PROCEEDINGS

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### MINUTES OF THE BOARD OF WATER COMMISSIONERS

**Open Session**

**May 23, 2012**

A duly called Regular Meeting of the Board of Water Commissioners was held Wednesday, May 23, 2012 beginning at 9:26 a.m. in the Board Room, Room 309, 1600 West 12<sup>th</sup> Avenue, Denver, Colorado. Members of the Board present during the Regular Meeting were:

**H. Gregory Austin, President**  
**Thomas A. Gougeon, Vice President**  
**Paula Herzmark, Vice President**  
**Penfield W. Tate, III, Vice President**

Board employees and others present during portions of the Meeting were:

J. S. Lochhead, CEO/Manager	P. L. Wells, General Counsel
A. C. Bricmont, Director of Finance	D. L. Little, Director of Planning
S.C. Covington, Director of Public Affairs	J.A. Anderson, Director of Customer Relations
B. D. Good, Deputy Manager of Organizational Improvement	T. Roode, Director of Operations and Maintenance
R. J. Mahoney, Director of Engineering	C. R. Dermody, Director of Information Technology
C. Elam-Floyd, Director of Human Resources	P. B. Coleman, Chief Internal Auditor
U. Sharma, Treasurer	M. L. Walker, Attorney
T. L. McGuire-Collier, Assistant Director of Public Affairs for Communications and Marketing	G. Moore, Engineering Specialist

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T. Cristiano, Manager of Rate Administration	R.G. Steger, Manager of Raw Water Supply
G. Fisher, Manager of Demand Planning	D. Engleman, Sr. Benefits Administrator
M. O'Neill, Manager of Accounting	M. E. Elliott, Assistant Director of Public Affairs for Government and Stockholder Relations/Conservation
T.A. Bryant, Finance	S. L. Chesney, Manager of Media Relations
E.W. Helgeson, Rate Analyst	P.A. Carey, Manager of Purchasing and Contracting
T.R. Thompson, Media Relations Coordinator	T.E. Lowe, Manager of Sales Administration
A.M. Rettig, Treasury Analyst	Allison Altaras, Legal Intern
K.A. Bates, Attorney	S.A. Miller, Manager of Health Care & Benefits Admin.
G.C. Berg, Treasury Analyst	
S.N. Niemi, Rate Analyst	
Dave Hartkopff, Green Mountain Water and Sanitation District	Joel Stewart, Milliman
David Irish, Bancroft – Clover Water and Sanitation District	Pat Fitzgerald, Platte Canyon Water and Sanitation District

Commissioner Austin called the meeting to order.

Upon motion regularly made, seconded and unanimously carried, Commissioner Lucero was found to be absent for substantial cause and was excused.

Upon motion regularly made, seconded and unanimously carried by the Commissioners then present, unless otherwise noted, the Board acted upon the following agenda items:

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1. **ITEM 2-A-1: 2012 MASTER RESOLUTION WATER REVENUE BONDS – FIRST AMENDMENT TO SIXTH SUPPLEMENTAL RESOLUTION**

Adopted the First Amendment to the Sixth Supplemental Resolution authorizing reallocation of the aggregate principal issuance amount between tax exempt and taxable refunding bonds all as more particularly described in the First Amendment, a copy of which is attached to and incorporated in these Minutes as Exhibit "A."

2. **ITEM 2-A-2: ADOPTION OF NEW RATE METHODOLOGY**

Commissioner Austin noted the receipt earlier in the morning of a position paper from the Denver Water Distributors' Rates and Fees Technical Advisory Committee, a copy of which is attached to and incorporated in these Minutes as Exhibit "B."

Commissioner Austin asked that Mr. Cristiano present an overview of the Staff recommendation. Commissioner Austin asked that members of the public and representatives of the distributors provide comments following Mr. Cristiano's presentation.

Mr. Cristiano provided an overview of the rate model review process including efforts undertaken to address common objectives and facilitate stake holder participation and discussion. A copy of Mr. Cristiano's presentation is attached to and incorporated in these Minutes as Exhibit "C." Mr. Cristiano outlined the differences between the utility basis of rate setting, which is currently utilized by Denver Water, with the recommended cash basis methodology. Mr. Cristiano commented regarding the involvement of experts for both Denver Water and the Distributors, and opined use of the proposed cash basis model would meet requirements of the charter, the distributor contracts, and earlier court decisions. Mr. Cristiano stated that because of the collaborative process, the parties had successfully addressed a number of complex issues. Ms. Bricmont reinforced that Denver Water Staff will continue to work with the Distributors and their technical advisory committee to implement the proposed model.

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Mr. Fitzgerald on behalf of the Distributors' Technical Advisory Committee acknowledged a position paper had been delivered to the Commissioners just prior to the meeting. Mr. Fitzgerald agreed the process described by Mr. Cristiano had been collaborative but noted the detail of the model wasn't discussed until late March. Mr. Fitzgerald commented on the complexity of the model and asked that the Commissioners provide assurance to the Distributors that the additional amount to be charged in accordance with the City Charter was both predictable and reasonable. Mr. Fitzgerald stated that the Distributors were not yet comfortable on how the rate model would work because actual numbers have not yet been applied to the model. Mr. Fitzgerald suggested the Board not adopt the resolution until more information was available. Mr. Fitzgerald commented the Distributors were not opposed to a cash basis model but were concerned with what future rates would be and how the Board would address future issues.

In response to questions from Mr. Lochhead, Mr. Fitzgerald agreed the Board and Staff should move forward with the cash basis method of rate development. Mr. Fitzgerald further responded that he did not object to the Board's adoption of the resolution so long as the parties continued to work to address the issues.

On behalf of the Board, Commissioner Tate thanked the Distributors for working with Denver Water's Staff and participating in the development of the new model. Commissioners Tate and Gougeon opined that offering either a formula or a range for determining the additional amount would not be enforceable as to actions that may be taken by future Boards. Commissioner Tate commented regarding the iterative process necessary to set rates and to adjust to changing circumstances. Commissioner Tate emphasized the Board's continued commitment to construct, operate, and maintain a robust water delivery system, and to continue to work with the Distributors to address their concerns.

Upon motion regularly made and seconded and unanimously carried, the Commissioners thereupon adopted the Resolution of the Board of Water Commissioners Adopting Cost Basis Methodology dated May 23, 2012, a copy of which is attached to and incorporated in these Minutes as Exhibit "D."

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At 9:55 a.m. the Board recessed to a Trustee Meeting, the Minutes of which are separately maintained. The Trustee meeting concluded at 10:38 a.m.

Following the Trustee Meeting, the Board reconvened the Regular Meeting. The Commissioners met in Study Session beginning at 10:38 a.m. to discuss the Board program/budget process. The Study Session concluded at 11:55 a.m., whereupon the Board voted unanimously to adjourn the meeting. There was no Executive Session.

  
Secretary

  
President